

LINDA LINGLE  
GOVERNOR



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

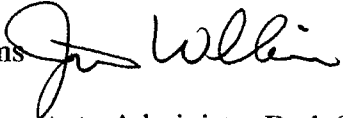
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JAMES WILLIAMS

September 29, 2009

TO: Board of Trustees

FROM: Jim Williams 

SUBJECT: HMSA Requests to Administer Both 80/20 and 90/10 Plans

HMSA has submitted a request to administer both the new 80/20 PPO plan and the current 90/10 plan. I do not concur with this request, and I recommend that the Board reject the request. Below is a brief explanation for this recommendation:

1. The request is untimely. Aon approached both HMSA and HMA regarding the administration of two plans prior to the August 26, 2009 meeting. HMSA could have presented objections or alternatives prior to or at the meeting. Instead, after the Board acted, HMSA came forward with this request.
2. The request places the focus on the plan administrators rather than the benefit plans and premiums. When the EUTF switched to self-funded medical plans and both HMA and HMSA were selected to administer the PPO plan, there was only one plan design, and therefore both plan administrators administered the same plan. Now that the Board has approved two PPO plans, it is in the best interest of the EUTF to assign one plan to each administrator. The reason for creating the 80/20 plan is to offer a plan with lower rates (due to lower benefits) to employees. Participants will make their choice of plan with full awareness of what company administers the plan.
3. The request would result in either a) severe strains on the administrative capability of the EUTF system and staff, given available resources and time constraints, or b) reduction in choices available to participants due to dropping two plans. Currently, the EUTF system (now using V3) recognizes two PPO plans. Under the direction approved by the Board in August, there would continue to be just two PPO plans. Effective January 1, 2010, the rates would change, and participant enrollment choices might change, but the overall structure would remain the same. If the HMSA request were granted, with no reduction in other plans, it would mean an addition of two plans. It would be questionable whether the necessary reconfiguration and testing of the two additional plans could be completed in time to support the November open enrollment. In addition, the communications (customer service) relating to the various options would be more complicated. If, as suggested by HMSA, the

HMO and HDHP plans were eliminated to retain the current number of plans, then participants would have two fewer choices for the foreseeable future. The HMO plan is the only alternative to Kaiser for participants who prefer the HMO approach. The HDHP has potential long-term benefits for participants who may be eligible for Health Savings Accounts. These options need to be maintained.

4. The apparent driving force behind this request is to enable HMSA to gain market share. HMSA uses the recent HSTA experience to claim that its request is in support of the interests of the participants. Yet the controversy regarding the HSTA change erupted because initially HSTA announced that all participants would both change to the 80/20 plan AND change to HMA. In response to negative reaction, the 90/10 choice administered by HMSA was later maintained. The EUTF approach is to offer the choices up front, thereby avoiding the “shock” of being told to change plans and plan administrators. It appears to me, that HMSA is looking for the alternative that will permit them to retain the most enrollees.

In response to HMSA’s request, there has been a suggestion that the Board reverse the administrators of the two PPO plans, with HMSA continuing to administer the 90/10 plan and HMA administering the new 80/20 plan. I have no recommendation on this option. However, I would urge the Trustees to consider that option only in terms of what would be best for the PPO plan participants, and not on the basis of the preference of HMSA or HMA. It is my understanding that Aon originally approached HMSA first (with the question of preference for the 90/10 or 80/20 plan) due to the fact that currently the large majority of PPO participants are enrolled with HMSA.